

FOREIGN AID/INTERNATIONAL AFFAIRS

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OVERVIEW

Summary of International Affairs Proposal

The President's fiscal year 2001 international affairs budget request is \$22.8 billion, an increase of \$2.7 billion (13 percent) over the \$20.1 billion fiscal year 2000 enacted level (not including \$1.85 billion in Wye River/Egypt funding, and \$1.65 billion in supplemental appropriations requests for Kosovo/Southeast Europe, Assistance to Plan Colombia, and Debt Restructuring).

SECURITY AND CONSTRUCTION

Background

The President's fiscal year 2001 budget proposes \$1.5 billion for worldwide security upgrades and embassy construction and maintenance, a \$496-million increase (50 percent) over fiscal year 2000. The GAO has reported, however, that the State Department's security and capital construction programs have suffered from significant management problems.

Key Points

- < The fiscal year 2001 budget requests \$1.06 billion for worldwide security upgrades, an increase of \$490 million (95 percent) over fiscal year 2000.
- < The Inspector General reported last month that at the end of fiscal year 1999 more than 230 security upgrade projects had been completed and another 150 were under construction using fiscal year 1999 emergency supplemental funding. According to the State Department, because of favorable exchange rates and lower procurement costs, about \$111 million of the planned obligations of \$576 million was saved in the first three quarters of fiscal year 1999. Further savings were anticipated to be achieved from the fourth quarter.
- < The IG further reported that there was sufficient fiscal year 1999 emergency supplemental

funding remaining for “projects at 20 of the 110 posts considered for project funding.”

COLUMBIA DRUG INITIATIVE

Background

Colombia is facing a crisis that has narcotics, military, and economic dimensions. In response to the crisis, Colombian President Andres Pastrana has developed a comprehensive strategy – Plan Colombia – to strengthen the Colombian economy and democracy, and fight narcotics trafficking.

The Colombian government estimates that Plan Colombia will cost \$7.5 billion and is dedicating \$4 billion of its own resources. It has also asked for the participation and help of the United States and other nations. In his budget request for fiscal year 2001, the President is proposing a \$954 million emergency supplemental request for fiscal year 2000, as well as a \$256 million increase in fiscal year 2001 funding for Colombia.

Included within the Administration’s fiscal year 2000 supplemental and fiscal year 2001 requests for Colombia are \$96 million for the Colombian National Police; \$145 million for alternative crops and economic development; and \$93 million for new programs to help the judicial system.

Key Points

- < The State Department and Drug Enforcement Agency have reported extensive ties between the two largest Marxist terrorist organizations – the Revolutionary Armed Forces of Colombia [FARC] and the National Liberation Army [ELN] – and the criminal narcotrafficking organizations that distribute cocaine and heroin in the United States.
- < Colombia-based drug traffickers are responsible for three-quarters of the world’s annual cocaine production and wholesale cocaine distribution. Despite an aggressive coca eradication program, coca cultivation increased by 28 percent in Colombia during 1998. Eighty percent of the cocaine entering the United States either comes from Colombia or is transported through it.
- < Of the estimated 6 metric tons of heroin produced in Colombia during 1998, virtually all the heroin was believed to be destined for the U.S. market, mostly in East Coast cities. In 1998, only 6 percent (356 kilograms) of Colombia’s estimated heroin production was seized in the United States; although that amounted to 65 percent of all heroin seized in the United States.
- < According to the State Department, “Narco-related corruption in all branches of the government continues to undermine counternarcotics effectiveness in Colombia.”
- < The terrorist organization Revolutionary Armed Forces of Colombia (FARC) declared in March 1998 that all U.S. officials, characterized by the FARC as “military advisors,” are

henceforth considered “legitimate military targets” for guerrilla insurgents. More than a dozen U.S. citizens were kidnaped in Colombia in the first five months of 1999, twice as many as in all of 1998.

INTERNATIONAL PEACEKEEPING OPERATIONS

Background

Continuing the Administration’s policy of military intervention as a means of solving international, regional and national crises, the President’s fiscal year 2001 budget requests \$739 million in contributions for international peacekeeping activities, an increase of \$241 million (48 percent) over fiscal year 2000. The President’s fiscal year 2001 budget request also includes a fiscal year 2000 supplemental request for Kosovo of \$107 million for international peacekeeping activities.

Key Points

- < From 1945 to 1993, the United Nations conducted 31 peacekeeping operations, seven of which are still ongoing. Since 1993, the United Nations has conducted 24 new peacekeeping operations; or about 3 or 4 new missions every year. Four new international peacekeeping missions were undertaken in the past year in the Democratic Republic of Congo, East Timor, Kosovo, and Sierra Leone.
- < Peace-keeping costs have strained U.N. finances, increasing from about several hundred million dollars a year in the 1980s to more than \$3 billion per year in the 1990s. Between June 1999 and June 2000 the U.N. plans to spend at least \$1.6 billion on peacekeeping activities: however, Sierra Leone may cost an additional \$110 million; and the total costs associated with the Democratic Republic of Congo and East Timor have yet to be determined.

KOSOVO SUPPLEMENTAL

Background

The President's budget includes a fiscal year 2000 supplemental request of \$625 million for Kosovo and Southeast Europe, comprising of the following:

- \$239 million for embassy security, construction, and maintenance funding;
- \$195 million in Support for East European Democracy (SEED) funding;
- \$107 million in contributions for international peacekeeping activities;
- \$31 million in Foreign Military Financing (FMF);
- \$24 million for diplomatic and consular programs;
- \$22 million for USAID operating expenses;
- \$3.6 million for educational and cultural exchange activities; and,
- \$2.9 million in International Military Education and Training (IMET) funding.

Key Points

- < The USAID Inspector General has reported, "Accountability concerns for governmental expenditures in many of these countries [in the Balkans] are significant..." As a result, during fiscal year 2000 the IG has taken the unusual steps of conducting concurrent audits of USAID's new programs in Kosovo and Montenegro; and providing elevated audit coverage and quick response audits of USAID's activities in Albania, Bosnia, Bulgaria, Kosovo, Macedonia, Montenegro, and Romania.

The IG's ability to conduct this proposed enhanced audit capability is limited, however, by the fact that no new resources are being provided to the Regional IG office in Budapest, Hungary, which is responsible for all USAID activities in Eastern Europe and the former Soviet Union (\$1.37 billion in fiscal year 2000, not including the proposed fiscal year 2000 supplemental).

- < The United Nations appropriated \$427.1 million to establish and maintain the United Nations Interim Administration Mission in Kosovo [UNMIK] from June 1999 through June 2000.
- < Last month the U.N. Interim Administration Mission in Kosovo [UNMIK] unveiled a budget for fiscal year 2000 of \$299 million to cover the costs of general administration, municipalities and subsidies to public enterprises. Investment requirements and the costs of reconstruction are not included. \$193 million is to be raised from local revenue and \$106 million (35 percent) is to be provided by international donors (the European Union has pledged \$37 million).

- < Members of the Kosovo Liberation Army are being recruited into the Kosovo Protection Corps [KPC], which is to assist in the reconstruction of the civil infrastructure, including de-mining, road repairs and house repairs. The KPC has no role in law enforcement, riot control, counter-terrorism or any other task related to the maintenance of law and order. The KPC fiscal year 2000 budget is \$18 million, and is to be funded entirely by U.N. Member State donations.

SUSTAINABLE DEVELOPMENT

Background

The administration's fiscal year 2001 budget requests \$2.14 billion for Sustainable Development (including \$36 million for the Inter-American and African Development Foundations), an increase of \$242 million (12.5 percent) over fiscal year 2000. Sustainable Development is currently composed of two accounts: the Child Survival and Diseases Fund, which the Administration proposes to cut by \$65 million; and Development Assistance, which is to receive an increase of \$308 million. The President's budget request increases AIDS and family planning funding from 53 percent in fiscal year 2000 to 62 percent of the fiscal year 2001 Sustainable Development budget.

Key Points

- < Although the President proposed a \$50 million contribution to the Global Fund for Children's Vaccines for the purchase of vaccines, the Administration's proposed fiscal year 2001 funding of \$659 million for the Child Survival and Diseases Fund represents a cut of \$65 million (9 percent) from the fiscal year 2000 level.
- < The President has proposed increasing AIDS funding by \$54 million for a total of \$244 million in fiscal year 2001. As a result of his proposals, AIDS funding would grow from 26 percent to 37 percent of overall Child Survival and Diseases Fund spending for fiscal year 2001.
- < The fiscal year 2001 budget proposes dividing the Development Assistance account of Sustainable Development into four components: Development Assistance; Development Fund for Africa; Inter-American Foundation; and African Development Foundation. The aggregate fiscal year 2001 budget request of \$1.52 billion is a \$308 million (26 percent) increase over fiscal year 2000.
- < The administration has proposed increasing International Family Planning [IFP] funding by \$169 million to a total of \$541 million for fiscal year 2001. \$484 million of IFP funding is a component of Development Assistance (see bullet above) and the President's budget request would increase IFP's share of Development Assistance to 51 percent in fiscal year 2001.
- < The Administration has also proposed earmarking \$100 million in fiscal year 2001

Development Assistance funding for a new “Greening the Globe” initiative to assist developing countries crack down on overlogging and illegal burning in tropical forests, and to increase funding of efforts to preserve endangered tigers, elephants and rhinos. An additional \$37 million would go to “debt-for-nature” swaps, in which the United States would forgive some of the debt of developing countries in exchange for promises to create new sanctuaries.

INTERNATIONAL FINANCIAL INSTITUTIONS AND DEBT RESTRUCTURING

Background

The administration’s fiscal year 2001 budget requests a total of \$1.35 billion for international financial institutions, an increase of \$244 million (22 percent) over fiscal year 2000. Some of the proposed increase is offset by a \$27 million (21 percent) cut in contributions to the African Development Fund. The largest recipients of proposed increases are: \$140 million for the Global Environment Facility (389 percent); \$65 million for the International Development Association (8 percent); and \$48 million for the Asian Development Fund (62 percent).

The President’s budget also requests \$210 million in fiscal year 2000 supplemental appropriations for debt restructuring for the World Bank’s Heavily Indebted Poor Country [HIPC] Initiative. For fiscal year 2001, the budget requests \$262 million for debt restructuring, an increase of \$139 million (113 percent) over fiscal year 2000.

Key Points

- < In March 1998, 36 nations agreed to commit \$2.75 billion for a four-year capitalization of the Global Environment Facility’s trust fund.
- < The International Development Association [IDA] provides long-term, zero-interest loans to 78 of the world’s poorest nations (a 1998 per capita income of less than \$895), of which 40 are in Africa and 22 in Asia. Despite the provision of \$116 billion in concessional loans since 1961, most IDA recipients have failed to achieve much economic progress and fallen deeper into debt because such loans have often mitigated the necessity of making difficult economic policy choices. Despite more stringent lending standards, IDA calculates that 30 percent of new projects may fail because of poor policy performance.
- < The HIPC Initiative is aimed at alleviating the debt crises facing many recipients of IDA loans. Under the HIPC Initiative, IDA-eligible countries that pursue programs of adjustment and reform supported by the IMF and World Bank and establish a sound track record of economic adjustment can qualify for debt-restructuring assistance.

EXPORT ASSISTANCE

Background

The administration's fiscal year 2001 budget requests a total of \$844 million for Export and Investment Assistance, an increase of \$208 million (33 percent) over fiscal year 2000. The President's budget proposes \$1.01 billion for the Export-Import Bank, an increase of \$214 million (27 percent) over fiscal year 2000. The budget also proposes \$63 million for administrative expenses and credit funding for the Overseas Private Investment Corporation [OPIC], an increase of \$4 million (7 percent) over fiscal year 2000. In addition, OPIC is anticipated to receive \$346 million in net offsetting collections in fiscal year 2001. The fiscal year 2001 budget proposes \$54 million for the Trade and Development Agency, an increase of \$6 million (14 percent) over fiscal year 2000.

Key Points

- < The United States is the world's largest exporter of goods and services and is the leader in key sectors ranging from aerospace to telecommunications. However, the GAO has questioned the cost and role of U.S. export promotion programs.
- < The Export-Import Bank provides 100-percent, unconditional political and commercial risk protection on virtually all of the medium- and long-term cover that it issues. Some of the Export-Import Bank's major competitors, such as the European export credit agencies, on the other hand, generally require exporters and banks to assume a portion of the risks associated with such support and do not absorb 100 percent of the risks themselves.